

Milestone Description

	Target Date	Project Outlook	Budget Outlook
Project Definition Complete	15 Sep 80	21 Sep 80	1.2 M
Air Photometry Complete	12 Nov 80	15 Nov 80	2.2 M
Computer Data Analysis Complete	19 Jan 81	15 Jan 81	1.1 M
Call for Tenders	10 Feb 81	10 Feb 81	0.3 M
Contract Award - Consulting	11 Mar 81	11 Mar 81	2.6 M
Contract Award - Construction	24 Jun 81	06 Jul 81	3.1 M
Phase I Development Complete	01 Jan 82	15 Dec 81	11.4 M
Phase II Equipment Installed	10 Jun 82	15 Mar 82	14.7 M
Project Complete	10 Jul 82	10 Jun 82	1.4 M

Present Outlook ---> POSITIVE

DES 1

SYDNEY DEVELOPMENT CORPORATION

Directors

David G.P. Allan
Vice President and Director
Walwyn Stodgell Cochran, Murray Limited

David F. Andrews
Consulting Engineer
Swan Wooster Engineering Co. Ltd.

William E. Schmidt
Partner, Hemsworth, Schmidt
Barristers & Solicitors

T.M. (Tarnie) Williams
President
Sydney Development Corporation

Officers

T.M. (Tarnie) Williams
President

Graeme S. Balcom
Senior Vice President

John S. Chapman
Vice President

William E. Schmidt
Secretary

Auditors

Peat, Marwick, Mitchell & Co.

Registrar and Transfer Agent

Guardian Estates and Agencies Ltd.
470 Granville St., Vancouver, B.C.

Branch Registrar and Transfer Agent

National Trust Company Limited
21 King Street East
Toronto, Ontario

Stock Listing

Vancouver Stock Exchange
Symbol: SNY

Head Office

#1001 - 409 Granville St.
Vancouver, B.C.

Branch Offices

Vancouver — Suite 1001, 409 Granville St.

Victoria — Suite 314, 1175 Cook St.

Ontario — 284 Central Ave., London, Ontario

Subsidiaries

Sydney Development International Ltd.
405 Plantation Blvd., Lower Broad St.,
Bridgetown, Barbados

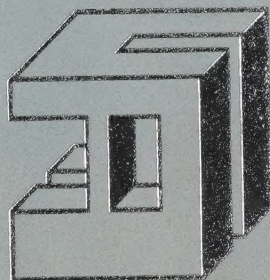
Sydney Development Company (U.K.) Limited
13 Wilton Place S.W. 1X 8RL
London, England

Sydney Dataproducts Inc.
4202 Sorrento Valley Blvd.,
Suite J, San Diego, California U.S.A. 92121

Easy Data Systems Ltd.
1234 Marine Drive, North Vancouver, B.C.

Business Information Display Inc.
4202 Sorrento Valley Blvd.,
Suite J, San Diego, California U.S.A. 92121

Medicomm Corporation
Suite 402 - 11300 N. Central Exp.
Dallas, Texas 75243



SYDNEY DEVELOPMENT CORPORATION

*provides
comprehensive
computer software
to help solve
the complex problems
of today's world*

SYDNEY DEVELOPMENT CORPORATION

Directors

Chairman: Mr. J. H. H. H. H.
President: Mr. J. H. H. H. H.
Vice President: Mr. J. H. H. H. H.
Secretary: Mr. J. H. H. H. H.
Treasurer: Mr. J. H. H. H. H.
Director: Mr. J. H. H. H. H.
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Advisors

Chairman: Mr. J. H. H. H. H.

Registrar and Transfer Agent

Registrar: Mr. J. H. H. H. H.
Transfer Agent: Mr. J. H. H. H. H.

Branch Registrar and Transfer Agent

Registrar: Mr. J. H. H. H. H.
Transfer Agent: Mr. J. H. H. H. H.

Stock Listing

Listing: Mr. J. H. H. H. H.
Listing: Mr. J. H. H. H. H.

Head Office

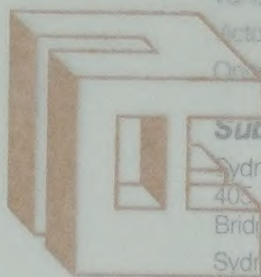
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Dallas, Texas 75243



SYDNEY DEVELOPMENT CORPORATION

provides
comprehensive
computer software
to help solve
complex problems
of today's world



Message from the Board

The past year has confirmed that Sydney's future is directed toward becoming one of the innovative leaders in the computer software industry. The ongoing marketing success of CONNECT II and Project Management Services has allowed Sydney to expand its operations across Canada and throughout the world. This success, coupled with investor's support, enabled the corporation to implement an aggressive corporate acquisition and expansion program. The results of the initial phases of the program are evident in the Sydney branch offices and subsidiaries appearing in the key cities across North America and in Europe.

The three new Sydney subsidiaries — Business Information Display, Inc. of San Diego, Easy Data Systems Ltd., of Vancouver and, the most recent acquisition, Mediacomm Corporation of Dallas — will significantly increase the overall Sydney marketing potential, in addition to expanding the software product line. This controlled expansion, with sound management support, will allow Sydney to achieve its ambitious earnings targets for the next three year period.

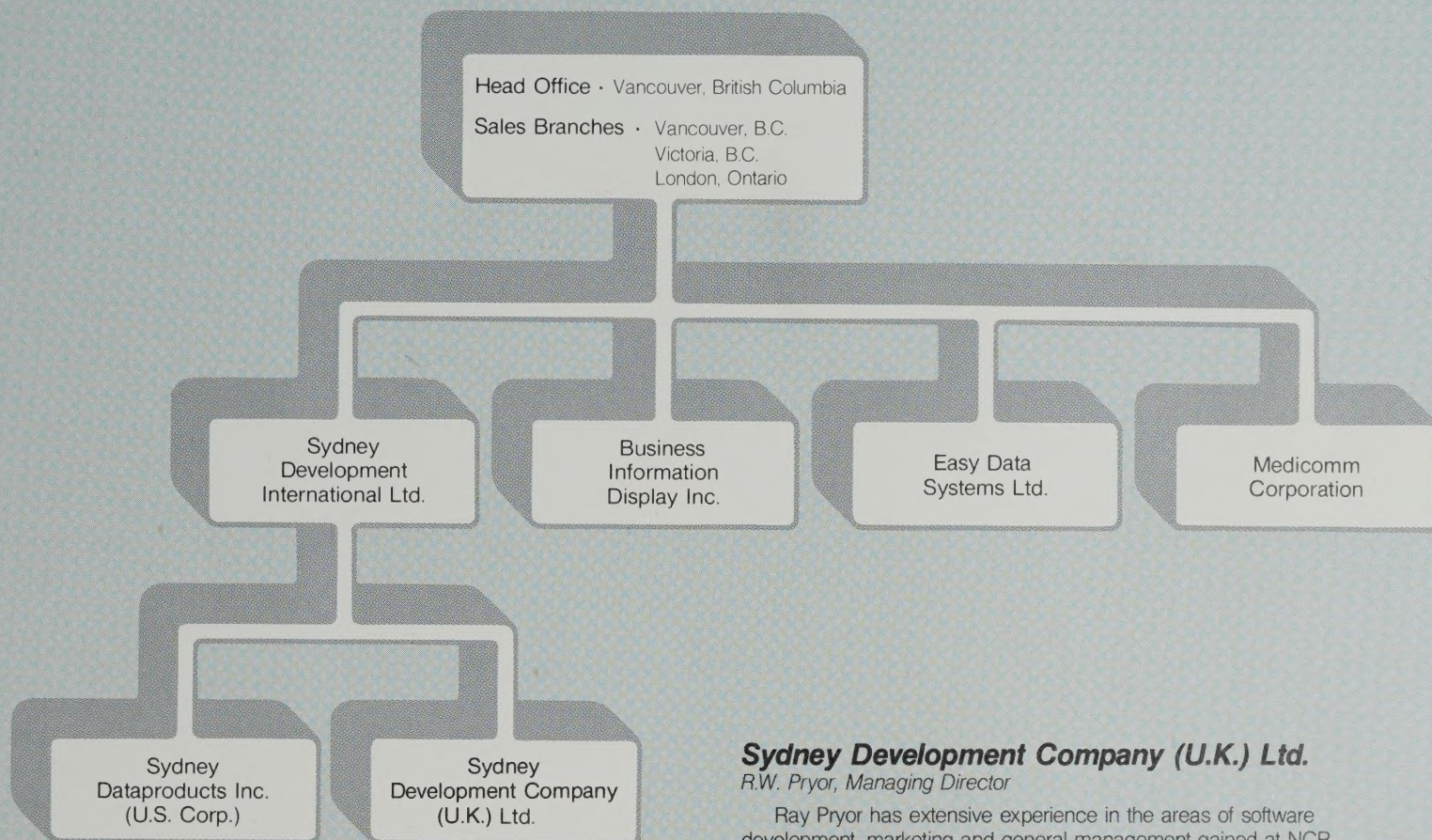
We, the Board, predict an exciting future for Sydney, as the corporation continues to rapidly evolve its place as a dominant presence in the computer software marketplace.



L to R — T.M. Williams, D.G.P. Allan, W.E. Schmidt, D.F. Andrews

Corporate Structure

This is Sydney Development Corporation in June, 1981. It is the intention of management to continue its policy of rapid expansion through acquisition and branch formation. The significant skills and experience of the people joining Sydney today will be used to assure the success of this expansion program in the future.



Sydney Development Corporation

T.M. Williams, President

Tarnie Williams formed Sydney Development Corporation in 1978, after fifteen years in business with Standard Life Assurance, EXPO '67 and IBM. He has established his expertise in Project Management on an international basis. Mr. Williams has provided the leadership responsible for the current Sydney expansion and the success of CONNECT II in the marketplace.

Sydney Development International Ltd.

G.D. Pidduck, Executive Director

Geoffery Pidduck comes to Sydney after twenty-one years in data processing at IBM, Steinburgs, and the Insurance Corporation of British Columbia. He has fourteen years experience in management in the areas of sales, marketing and business planning. Mr. Pidduck is responsible for Sydney's international expansion.

Sydney Dataproducts Inc.

H.J. Seagrim, President

Jim Seagrim joins Sydney from U.S. Elevator, where he was Vice-President of Operations. His nineteen years of experience in consulting, engineering and data processing will support his charter to establish the Sydney marketing operation for CONNECT II in the United States.

Sydney Development Company (U.K.) Ltd.

R.W. Pryor, Managing Director

Ray Pryor has extensive experience in the areas of software development, marketing and general management gained at NCR, Memorex and TDI Timesharing Services in the U.K. He is responsible for developing the U.K. and Western European operations of Sydney.

Easy Data Systems, Ltd.

M.H. Richter, President

Mervin Richter has twenty years experience in education, data processing and management. He will continue to manage EDS and expand its product line and distribution facilities throughout North America.

Business Information Display, Inc.

J.B. Carruthers II, President

Prior to forming BID, Bruce Carruthers spent eighteen years in various managerial positions with major international oil companies. His responsibilities include expanding the market for BID's graphics products, as well as introducing new publications using the BID technology.

Medicomm Corporation

D.H. Perkins, President

Dave Perkins had eight years experience in the medical computing field prior to forming Medicomm in January 1977. Dave will continue to manage Medicomm with the objective to significantly increase its established product distribution network.

To our Shareholders

We have reached an important milestone in our companies' development. The quality of our products and their acceptance in the marketplace has been clearly established. This has enabled us to finance the first step in a long range corporate expansion program. We have opened several new branches, acquired three new subsidiaries and have significantly increased our staff. This program has been expensive and will continue to adversely affect our earnings through the first half of the coming year. Although costly in the short term, this approach will be very advantageous in the future and will enable us to profitably market CONNECT II and our other software packages on a worldwide basis.

The introduction of a rental program for CONNECT II and our other software products has helped to smooth our cashflow and has provided the benefits of CONNECT II to a larger market. The further enlargement of our product line through these recent corporate acquisitions not only increases our market base, but also helps insulate us from adverse effects of the economy as a whole.

We have attempted in the following pages to provide you with an insight to Sydney's new subsidiaries and a picture of our performance over the past year. We expect to have further news regarding the development of the corporation at the Annual General Meeting. We look forward to seeing you there.

As a final note, I would like to take this opportunity to thank our staff for their energetic support and assistance during this dynamic period of growth. I appreciate their enthusiasm and dedication.

Sincerely

T.M. Williams
President



Easy Data Systems Ltd.

EDS was established in the mid-1970's by the company's President, Mervin H. Richter, to provide software packages designed specifically for Datapoint Computers. The company has grown over the past several years to become the major supplier of packaged software for Datapoint in Canada. The company's philosophy — to provide total systems solutions to selected problems in business and industry — is entirely consistent with the objectives of Sydney as a whole. The EDS product line is divided into two main streams: library systems; and financial management systems for mortgage banking and other financial applications.

The library systems provide comprehensive, reliable library automation with sophisticated capabilities. The systems cover all major functions of corporate, regional and public library management, acquisition, cataloguing and circulation.

The EDS mortgage banking and financial accounting packages, presently installed at several trust companies, provide total mortgage handling capabilities. The integrated EDS accounting systems, used by many companies across North America, combine automated accounts receivable, accounts payable and payroll facilities. The system provides complete financial reporting at the push of a button.

EDS will assume marketing and distribution of the dental and medical office management systems that were previously marketed by Sydney directly. This will make efficient use of staff skills, thereby reducing overhead. EDS continues to develop additional software packages and modules within its areas of expertise. This allows Sydney, as a corporation, to further profit from the strong growth in the mini-computer marketplace.



Sydney Development Company (U.K.) Ltd.

Late in December of 1980, Ray Pryor assumed the position of Managing Director of Sydney Development Company (U.K.) Ltd. Mr. Pryor came to Sydney with an impressive background in the computer industry, that enabled him to successfully launch the U.K. operations with an official opening of the London Office on April 7, 1981.

The initial Sydney marketing focus in the U.K. will be on the CONNECT II family of software products. CONNECT II, Sydney's primary product, provides a man/machine interface for users of IBM's PROJACS and PMS IV Project Management Systems. The CONNECT II package simplifies the project management process by making data easier to record by the computer. CONNECT II also provides comprehensive management and project control information. The CONNECT II product line has been used to manage complex computer applications such as on-line order entry and inventory control systems and to monitor and control large construction and engineering projects, such as skyscrapers and petro-chemical plants.

In conjunction with Sydney's expansion into the U.K. the CONNECT II software package is now available worldwide through General Electric Information Services Company MARK III Service Teleprocessing Network. The expansion of the CONNECT II market base throughout Europe should be a relatively straightforward step in the subsidiary's development.



**Business Information
Display, Inc.**

Bruce Carruthers, President, and Bill Liscom, two oil economists from Occidental Petroleum, established BID in 1979. Through their work in the energy industry, they perceived the need for a high quality, easy-to-use compendium of energy data collected from all the countries of the world.

They were later joined by Allan Frankel, a leading computer graphics expert and a co-author of the DISSPLA graphics software package. The result was *World Energy Industry*, an impressive quarterly publication.

The present subscribers include many large energy companies leading banks, national oil companies and major international and government institutions. The recent completion of marketing agreements with McGraw-Hill and IPC in Europe should significantly increase the subscription list, thereby making BID an extremely profitable member of the Sydney group.

The wide applicability of the BID software is demonstrated in the graphs, produced by BID in the Financial Highlights section of this Annual Report. The integration of the CONNECT II technology with BID graphics will produce some exciting products in the near future.



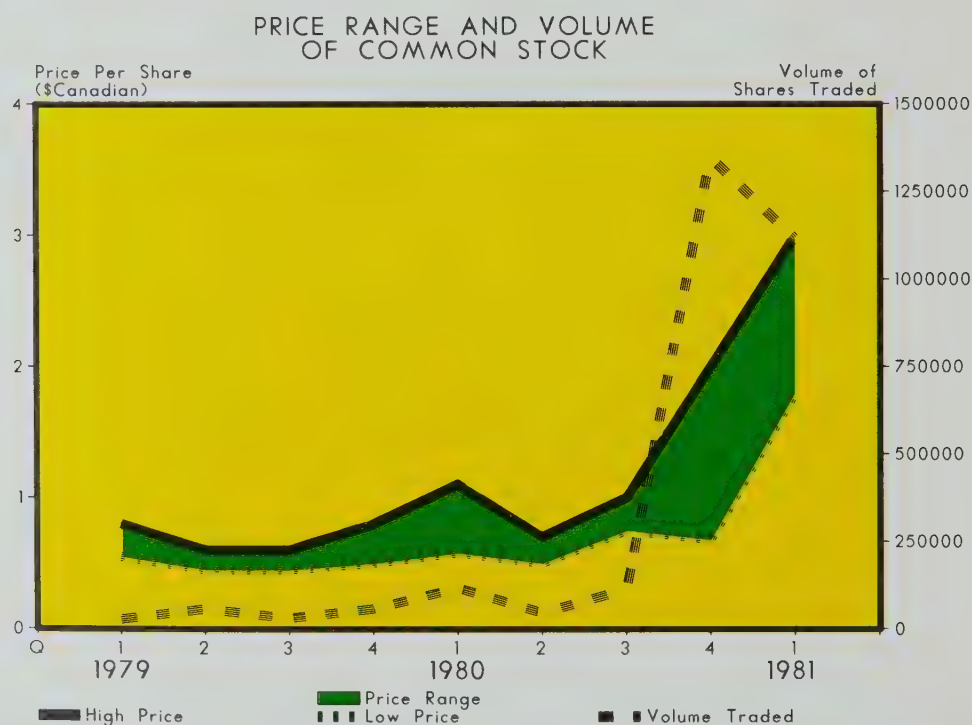
L to R — William I. Liscom, Allan P. Frankel, J. Bruce Carruthers II

Fully Consolidated Financial Highlights

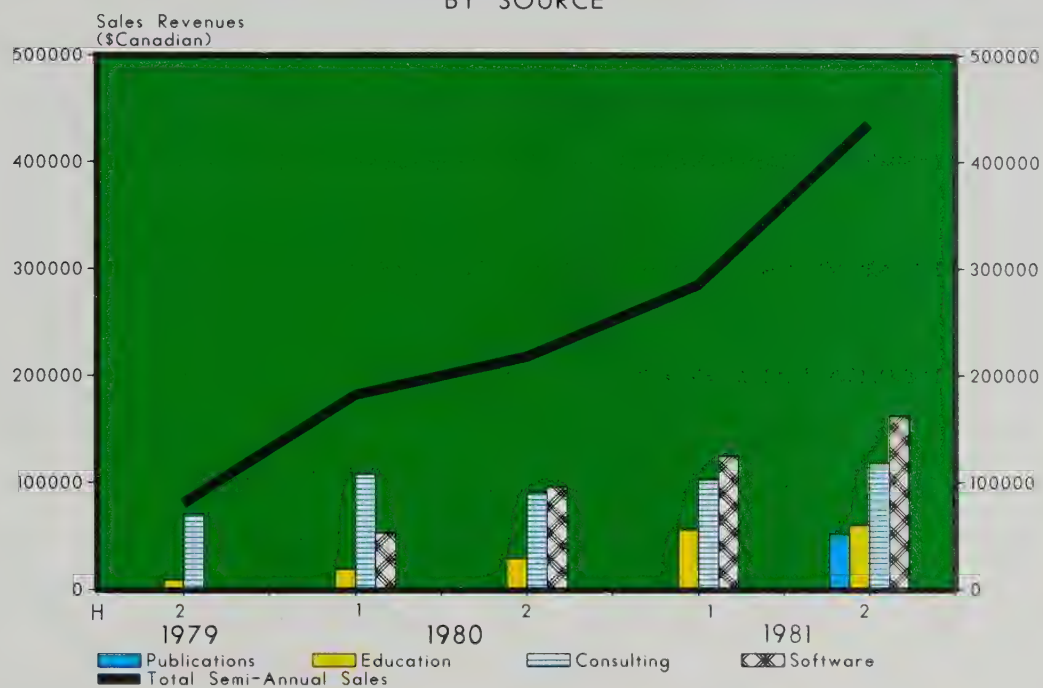
The financial highlights represented on these pages illustrate the pro-forma consolidated results, assuming receipt of approval from the United States regulatory authorities of the consolidation of Business Information Display, Inc. These pages were produced with the unique technology, developed by BID, which allowed us to represent the financial data graphically and produce the individual colour separations direct from the computer to be used by the printer. The entire process, from design to printer, took less than half a day, at a fraction of the usual cost.

More important than the production of the graphs, of course, are the results displayed. The 74% growth in revenue from \$398,954 last year to \$694,804 in this fiscal period is attributable to the expansion of the demand for our products, plus the three month results from BID and EDS. The loss of 9.4 cents per share, on a pro-forma consolidated basis, is partly attributable to the expansion program presently underway, and partly to technical development expenses encountered in the conversion of the BID database and software from a timesharing service to an "in-house" facility. This conversion has been completed and will result in significant operational savings in the future. The expansion program will continue to affect profits adversely in the near future. Significant improvement in earnings is expected, however, by year-end.

The analysis of Sales Revenue by Source in a graphic format clearly demonstrates the success the company is experiencing in its efforts to reduce the consulting performed and increase revenue in the more profitable areas of packaged software sales and education. We forecast continued improvement in these areas.

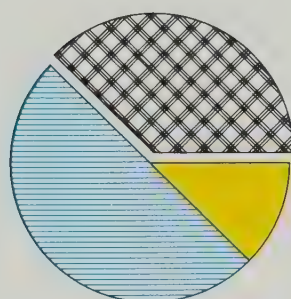


SEMI-ANNUAL SALES REVENUE BY SOURCE

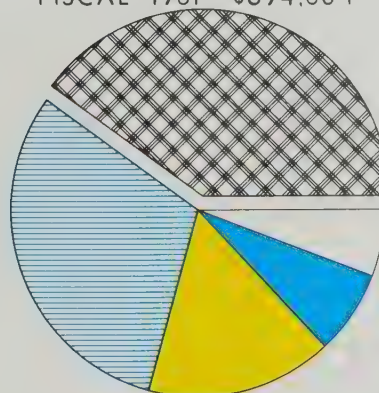


ANNUAL SALES REVENUE BY SOURCE*

FISCAL 1980--\$398,954



FISCAL 1981--\$694,804



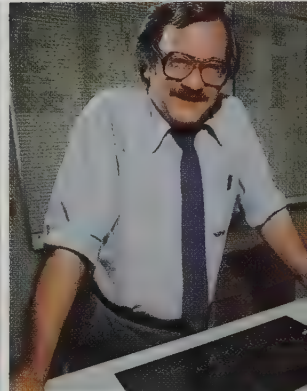
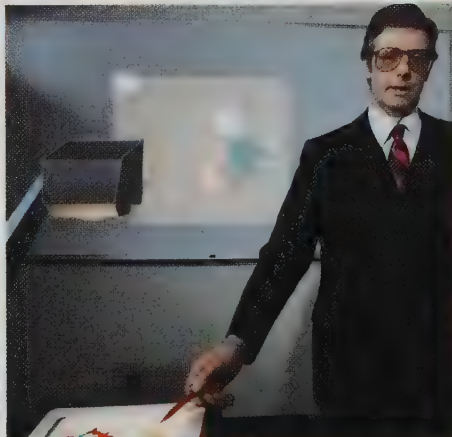
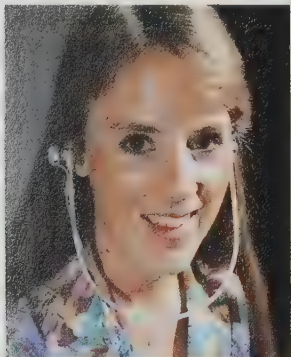
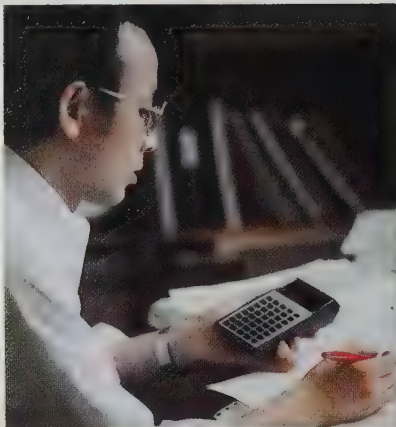
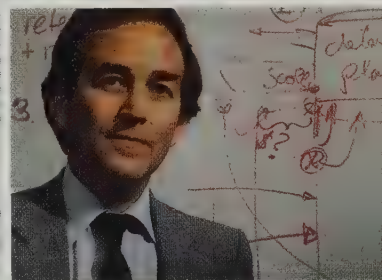
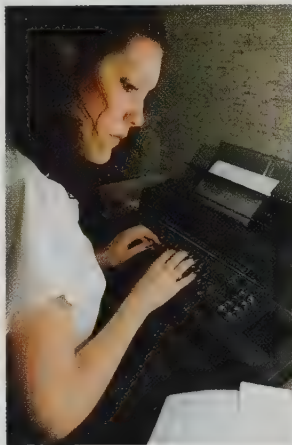
Software	38%	38%
Consulting	50%	33%
Education	12%	16%
Publications	0%	7%
Others	0%	6%

*Areas scaled to show difference in totals for each pie chart.

SYDNEY DEVELOPMENT CORPORATION

The People

The people at Sydney are the force guiding the continued growth and success of the Corporation. Sydney's people are experts in applying computer technology to help meet the world's demand for solutions. Their energy, enthusiasm and skills have put them at the top of their professions. Consultants, secretaries, managers and software engineers alike work together with one goal in mind: To make sure that Sydney provides the best computer software packages available anywhere. These people will make it happen.





Consolidated and Pro-forma Consolidated Balance Sheets

March 31, 1981

(With comparative figures for 1980)

Assets

	Pro-forma 1981 (Note 2(b))	1981	1980
Current assets:			
Cash and term deposits	\$ 659,071	659,071	200
Accounts receivable	293,501	269,351	74,248
Accrued revenue	157,445	157,445	95,500
Prepaid expenses	46,792	36,134	5,440
Total current assets	1,156,809	1,122,001	175,388
Note receivable Business Information Display Inc. (Note 2(b))	—	180,088	—
Investment in securities, at cost (market value — \$47,203; 1980 — \$68,660)	17,476	17,476	17,476
Fixed assets (Note 3)	245,478	178,221	38,536
Other assets:			
Deferred charges at cost			
Research and development	765,592	701,162	312,549
Data base resource	391,307	—	—
Marketing	113,152	12,000	—
	1,270,051	713,162	312,549
Less accumulated amortization	76,176	55,078	18,027
	1,193,875	658,084	294,522
Goodwill net of amortization	209,428	49,019	—
Other	—	29,705	—
Total other assets	1,403,303	736,808	294,522
	<u>\$2,823,066</u>	<u>2,234,594</u>	<u>525,922</u>

See accompanying notes to consolidated and pro-forma consolidated financial statements

On behalf of the Board

_____	T.M. Williams	Director
_____	W.E. Schmidt	Director

Consolidated and Pro-forma Consolidated Balance Sheets

March 31, 1981

(With comparative figures for 1980)

Liabilities

	Pro-forma 1981 (Note 2(b))	1981	1980
Current liabilities:			
Bank indebtedness (Note 4)	\$ 58,347	20,000	23,486
Accounts payable and accrued expenses	567,130	408,795	66,785
Notes payable to shareholders (Note 5)	162,911	—	5,000
Deferred subscription revenue	80,095	—	—
Current portion of long-term debt	3,390	—	8,000
Total current liabilities	871,873	428,795	103,271
Long-term debt (Note 6):			
Advances	—	—	156,000
Term bank loan	—	—	26,000
Agreement	8,923	—	—
Total long-term debt	8,923	—	182,000
Deferred income taxes (Note 9)	35,750	35,750	—

Shareholders' Equity

Capital stock (Notes 2 and 7):			
Shares of no par value. Authorized 5,000,000 shares; issued 2,993,852.2 (1980 — 1,951,299.2) shares	2,107,159	2,107,159	690,329
Shares allotted but not issued	480,000	246,000	—
Instalments received under staff members' stock option plan	10,926	10,926	3,848
	2,598,085	2,364,085	694,177
Deficit, per accompanying statement	691,565	594,036	453,526
Shareholders' equity	1,906,520	1,770,049	240,651
Contingent liabilities and commitments (Note 8).			
	\$2,823,066	2,234,594	525,922

Consolidated and Pro-forma Consolidated Statements of Income and Deficit

Year Ended March 31, 1981

(With comparative figures for 1980)

	Pro-forma 1981 (Note 2(b))	1981	1980
Revenue:			
Lease of computer software packages	\$ 233,498	233,498	150,072
Sale of computer hardware	28,446	28,446	—
Consulting and course fees	338,569	338,569	248,882
Publication subscriptions	52,321	—	—
Other	41,970	41,970	—
	<u>694,804</u>	<u>642,483</u>	<u>398,954</u>
Costs and expenses:			
Cost of computer hardware sold	30,079	30,079	—
Publication expenses	49,831	—	—
Selling, general and administrative expenses:			
Bad and doubtful debts	10,780	8,400	—
Data base library	2,409	—	—
Employee benefits	13,197	11,477	4,111
Interest — long-term debt	33,634	23,025	5,973
— other	17,441	17,441	10,186
Legal and audit	26,651	26,056	7,191
Marketing (Note 11)	98,718	75,142	22,260
Miscellaneous	14,655	10,845	5,020
Office	39,527	37,777	12,913
Rental — premises	30,284	24,822	16,057
— equipment	4,978	617	6,203
Royalties	3,000	3,000	—
Salaries, contract fees and commissions	384,305	356,793	208,195
Stock exchange and transfer agent fees	3,375	3,375	2,333
Telephone	25,344	20,384	6,555
Training and educational material	29,240	29,240	4,903
Travel and promotion, administrative	10,082	10,082	4,067
	<u>827,530</u>	<u>688,555</u>	<u>315,967</u>
Income (loss) before the undernoted	(132,726)	(46,072)	82,987
Depreciation and amortization (Note 11)	81,013	70,138	20,985
Income (loss) before income taxes	(213,739)	(116,210)	62,002
Income taxes (Note 9)	6,317	6,317	—
Net income (loss) for the year	(220,056)	(122,527)	62,002
Deficit at beginning of year	453,526	453,526	515,528
Add cost of issuing shares	17,983	17,983	—
Deficit at end of year	<u>\$ (691,565)</u>	<u>(594,036)</u>	<u>(453,526)</u>
Earnings (loss) per share (Note 10)	<u>(9.4c)</u>	<u>(5.4c)</u>	<u>3.2c</u>

See accompanying notes to consolidated and pro-forma consolidated financial statements.

Consolidated and Pro-forma Consolidated Statements of Changes in Financial Position

Year Ended March 31, 1981

(With comparative figures for 1980)

	Pro-forma 1981 (Note 2(b))	1981	1980
Funds provided by:			
Operations, net of depreciation and amortization	\$ —	—	82,987
Shares issued	1,416,830	1,416,830	19,177
Shares allotted but not issued	480,000	246,000	—
Instalments received under staff members' stock option plan	7,078	7,078	—
Long-term debt	—	—	196,000
Total funds provided	1,903,908	1,669,908	298,164
Funds applied to:			
Operations, net of depreciation, amortization and deferred income taxes	119,509	48,389	—
Acquisition of shares of subsidiaries (Note 2(c))	353,705	90,000	—
Add (deduct) (working capital) deficiency at date of acquisition	387,216	(54,429)	—
	740,921	35,571	—
Deferred charges, net of depreciation	428,556	383,422	180,733
Reduction in long-term debt	182,514	182,000	19,000
Fixed assets	201,606	171,661	25,221
Advances to Business Information Display Inc.	—	180,088	—
Cost of issuing shares	17,983	17,983	—
Other	—	29,705	652
Total funds applied	1,691,089	1,048,819	225,606
Increase in working capital	212,819	621,089	72,558
Working capital (deficiency) at beginning of year	72,117	72,117	(441)
Working capital at end of year	\$ 284,936	693,206	72,117

See accompanying notes to consolidated and pro-forma consolidated financial statements.

Notes to Consolidated and Pro-forma Consolidated Financial StatementsMarch 31, 1981

1. Summary of significant accounting policies:

The accompanying financial statements are prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects to International Accounting Standards.

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its three active subsidiaries, all wholly-owned, as follows:

Easy Data Systems Ltd., Vancouver, British Columbia
Sydney Development Company (U.K.) Ltd., London, England
Sydney Development International Ltd., Barbados

The pro-forma consolidated financial statements include the above subsidiaries and Business Information Display Inc. of San Diego, U.S.A. (Note 2(b)).

All material inter-company balances and transactions are eliminated. The acquisitions of all subsidiaries are accounted for on a purchase basis and earnings are included in the consolidated financial statements from the date of acquisition.

(b) Translation of foreign currencies:

Foreign currency balances are translated into Canadian dollars at year end rates of exchange for working capital items. All other assets and non-current liabilities are translated at the rates prevailing when the assets were acquired or the liabilities incurred. Actual exchange rates in effect during the year are used for all revenue and expense items except depreciation and amortization which are translated at the rates used to translate the related assets. Any resulting translation gains or losses are included in the consolidated statement of income.

(c) Revenue recognition:**Computer software leases:**

Although the lease payment for the first year is refundable if the customer decides, within a period up to 90 days of installation, not to continue to use the product, the Company has a minimal cancellation experience. Accordingly, the Company recognizes revenue from the initial one year lease of computer software packages at the time of contract execution. In addition, revenue from annual license renewals is recognized on the anniversary date of the original installation. Revenue from software packages rented on a monthly basis is recognized commencing in the month of installation.

Publications:

Revenues from subscriptions, net of subscription commissions, are deferred at the time of sale. Revenue is recognized proportionately when the quarterly publication is substantially complete.

(d) Depreciation:

Depreciation is determined at rates that will reduce original cost to estimated residual value over the estimated useful life of each asset. Gains or losses on disposals are included in income in the year of disposal.

(e) Deferred charges:**Research and development:**

The costs of developing software packages and the related marketing materials are deferred and are amortized over a period of five years commencing on the date that marketing of the respective software packages commences or is utilized by the company.

Data base resource:

The costs of developing the data base resource relating to the publication of "World Energy Industry" are deferred and are amortized over a period of forty years.

Publication marketing:

Marketing costs for product introduction relating to the "World Energy Industry" publication are being deferred and amortized over a two year period. Marketing expenses incurred after initial product introduction are expensed as incurred.

(f) Goodwill

Goodwill, which represents the excess of the purchase price of shares of subsidiaries over amounts allocated to identifiable assets, is written off by charges against consolidated earnings, on a straight-line basis over a ten year period, commencing on the date on which goodwill is acquired.

2. Acquisition of subsidiaries:

(a) Description of acquisitions:

Under agreements dated January 1, 1981, the Company has agreed to purchase all of the issued and outstanding shares of Business Information Display Inc. ("BID") of San Diego, California and Easy Data Systems Ltd ("EDS") of Vancouver, British Columbia. EDS is engaged in computer software activities and BID carries on a publishing operation.

The aggregate consideration for the two acquisitions will be the issue of 285,000 shares of the Company at closing and up to an additional 365,000 shares if the subsidiaries earnings, as defined, exceed specified levels during the five (BID) and six (EDS) year period commencing January 1, 1981. These transactions are subject to regulatory body approval in the Provinces of British Columbia and Ontario and, in the case of BID, in the State of California, and the closing date of the acquisitions will be after the satisfaction of these conditions.

The total of 650,000 shares will be issued at closing, however, the contingent consideration of 365,000 shares will be held in escrow to be delivered if and when the required earnings levels are attained. Any shares not deliverable by either December 31, 1985 or December 31, 1986 in the case of BID and EDS, respectively, will be cancelled. The contingent consideration has not been reflected in either the consolidated or pro-forma consolidated balance sheets at March 31, 1981 but will be recorded when such shares may be delivered, with a corresponding increase in goodwill on acquisition. The value ascribed to such shares would be based on the quoted market value of the Company's shares at the date that the shares become deliverable.

Subsequent to March 31, 1981, the requisite regulatory body approvals have been granted by the Provinces of British Columbia and Ontario, however, the approval from the State of California has not been received. Accordingly, the financial statements of EDS have been consolidated with those of the Company at March 31, 1981, with effect from January 1, 1981.

(b) Pro-forma information:

As the requisite approval has not been received from the State of California relating to the acquisition of BID, the financial statements of that company have not been consolidated with those of the Company at March 31, 1981, but have been included in the pro-forma consolidated financial statements based upon the following assumptions:

- all regulatory body approvals have been obtained.
- the acquisition was effective from January 1, 1981.
- the acquisition was accounted for on the purchase basis.
- 450,000 shares of the Company were allotted but not issued for a stated value of \$234,000 (Note 2(a)).

Condensed financial statements of BID (in Canadian dollars) are:

Balance sheet as at March 31, 1981:

Assets:	
Current assets	\$ 34,808
Fixed assets, net of depreciation	54,651
Deferred charges, net of amortization	190,249
	<u>\$279,708</u>
Liabilities and shareholders' deficit:	
Current liabilities, including notes payable to shareholders of \$162,911	\$443,078
Note payable to Sydney Development Corporation	180,088
Long-term debt	8,923
Shareholders' deficit:	
Capital stock	\$ 74,375
Deficit	426,756
	<u>(352,381)</u>
	<u>\$279,708</u>

Statement of income for the three months ended March 31, 1981:

Publication subscriptions revenue	\$ 52,321
Costs and expenses:	
Publication expenses	\$ 49,831
Selling, general and administrative expenses	89,144
Depreciation and amortization	5,090
	<u>144,065</u>
Net loss for the three months	<u>\$ 91,744</u>

Under the agreement to purchase the BID shares, the Company, commencing in January, 1981, is making monthly advances to BID of U.S. \$50,000 to a maximum of U.S. \$300,000. The promissory note evidencing these advances bears interest at 11% per annum, payable annually, and the principal together with any unpaid interest is payable on January 15, 1984. This note is secured by a pledge of 125,000 of the shares issued by the Company on the acquisition of the BID shares.

(c) These acquisitions are summarized below:
Net assets acquired at values assigned thereto.

	EDS	BID pro-forma	Total
Current assets	\$ 92,352	19,022	111,374
Current liabilities	37,923	460,667	498,590
Working capital (deficiency)	54,429	(441,645)	(387,216)
Equipment	17,195	39,273	56,468
Deferred charges:			
Data base resource	—	375,000	375,000
Other	—	136,754	136,754
Long-term debt	—	(9,437)	(9,437)
Deferred income taxes	(31,750)	—	(31,750)
Equity of underlying net assets	39,874	99,945	139,819
Excess of consideration over underlying net assets	60,126	163,760	213,886
Consideration, being value attributed as at January 1, 1981 to Company's shares to be issued on closing	\$ 90,000	263,705	353,705

3 Fixed assets, at cost

	Pro-forma 1981	1981	1980
Computer hardware	\$207,527	175,408	45,199
Furniture and fixtures	111,906	74,810	15,421
Leasehold improvements	4,903	4,903	2,160
Automotive	6,344	6,344	—
	330,682	261,465	62,780
Less accumulated depreciation	85,204	83,244	24,244
	\$245,478	178,221	38,536

4 Bank indebtedness:

Bank indebtedness of the parent company is secured by an assignment of accounts receivable, the hypothecation of the Company's investment in securities and a chattel mortgage on computer hardware.

5 Notes payable:

Notes payable by Business Information Display Inc. are due on the date of June 15, 1981 or on the conclusion of the acquisition of Business Information Display Inc. by the Company.

6 Long-term debt:

(a) Advances:

On March 31, 1980, the Company received advances aggregating \$155,000 as consideration for the future issue of 13% convertible secured subordinated debentures, due on March 1, 1988. During the year ended March 31, 1981, the debentures were issued and subsequently converted to shares at \$1.30 per share (Note 7(b)).

(b) Agreement

The agreement is payable in blended monthly instalments of \$427.

7 Capital stock:

(a) Shares were issued for cash during the year as follows:

	Number	Stated value
Under December 18, 1980 Agency Agreement, less commission of \$112,500	1,000,000	\$1,387,500
On exercise of options granted to directors and staff	42,553	29,330
	1,042,553	\$1,416,830

(b) Shares were allotted but not issued at March 31, 1981 as follows:

	Pro-forma 1981		1981	
	Number	Stated value	Number	Stated value
Consideration for acquisition of subsidiaries:				
Early Data Systems Ltd.	200,000	\$ 90,000	200,000	\$ 90,000
Business Information Display Inc.	450,000	234,000		
On conversion of subordinated debentures (Note 6(a))	120,000	155,000	120,000	155,000
	770,000	\$480,000	320,000	\$240,000

(c) Shares were reserved at March 31, 1981 as follows:

	<u>Shares</u>
Under a staff stock option plan, as of December 8, 1980, staff who are not directors, were granted a one year option to acquire shares at a price of \$1.19 per share. Fifteen staff members are participating in this plan under which each may contribute a maximum of 10% of their earnings during the year ended December 7, 1981	41,000
Under a director's or senior officer's stock option plan, six directors or senior officers were each granted an option to acquire up to 5,000 shares at a price of \$0.80 per share on or before September 30, 1981	30,000
Under an agency agreement, effective December 18, 1980, relating to an issue of 1,000,000 shares:	
1,000,000 Series "A" warrants are outstanding, each entitling the holder to purchase one share to December 21, 1981 at \$2.00 per share and, if not exercised, to December 21, 1982 at \$3.00 per share	1,000,000
200,000 non-transferable Series "B" warrants are outstanding entitling the agent to purchase 200,000 shares to June 22, 1981 at \$1.57 per share	200,000
	<u>1,271,000</u>

8. Contingent liabilities and commitments:

(a) Annual office rental under leases for the five years ended March 31, are as follows:

1982	\$142,000
1983 - 1986	317,000

(b) Under the terms of the acquisition of Business Information Display Inc., the Company may be required to provide ten year interest free loans to some or all of the Business Information Display Inc. shareholders.

(c) Under the terms of the acquisitions of Easy Data Systems Ltd., the Company has agreed to indemnify and hold harmless the shareholders of Easy Data Systems Ltd. for any income tax liability which might arise as a result of this purchase.

9. Income taxes:

(a) In accounting for income taxes, the companies follow the tax allocation method in which the timing differences mainly relate to fixed assets and deferred charges. The provision for deferred income taxes of \$35,750 shown in the consolidated balance sheets represents the effect of timing differences of Easy Data Systems Ltd.

(b) The 1981 income tax provision includes deferred income taxes of \$4,000. No provision for income taxes was required in 1980 because the Company is entitled to claim for income tax purposes 150% of the current research and development costs resulting in its taxable income being less than its accounting income.

(c) Potential income tax benefits have not been recognized in the Company's accounts as at March 31, 1981, and relate to the following timing differences:

Sydney Development Corporation:

- Income tax losses of \$259,000 which expire as to \$7,000 in 1983, \$104,000 in 1984, \$8,000 in 1985 and \$140,000 in 1986.
- Mining exploration expenditures of approximately \$323,00 which can be claimed for income tax purposes.
- The income tax values of depreciable and other assets exceeded corresponding net book values by approximately \$88,000.

Business Information Display Inc.:

At March 31, 1981, the company had net operating loss carryforwards totalling approximately \$350,000 and \$470,000 for financial and Federal income tax purposes, respectively, which may be applied against any future taxable income. The loss carryforwards expire in varying amounts from 1986 through 1988.

10. Earnings per share:

The earnings per share are computed on the weighted average number of shares outstanding during the year. No dilution of the results for the years ended March 31, 1980 and 1981 would result from the exercise of the stock options and warrants outstanding at those dates.

11. Statutory information:

The aggregate remuneration of directors and senior officers as defined in the B.C. Company Act amounted to \$123,155 (1980 - \$99,570). In addition, for the year ended March 31, 1981 \$146,021 (1980 - \$133,220) was paid to firms controlled by three individuals, each of whom is an officer of the Company, for management services.

The depreciation and amortization provision is included in the financial statements as follows:

	<u>Pro-forma</u>		
	<u>1981</u>	<u>1981</u>	<u>1980</u>
Consolidated statement of income:			
Depreciation and amortization	\$ 81,013	70,138	20,985
Marketing expense	15,534	—	—
Research and development costs	25,341	25,341	11,632
	<u>\$121,888</u>	<u>95,479</u>	<u>32,617</u>

12. Segment information:

(a) Geographic segments:

	Canada	United States	United Kingdom	Barbados	Eliminations	Pro-forma consolidated
Sales to customers	\$ 588,283	52,321	116,756	84,201	(146,757)	694,804
Segment operating profits (losses)	\$ 149,525	(71,120)	2,758	51,645	(250,000)	(117,192)
Depreciation and amortization	68,951	20,624	80	—	6,892	96,547
Income taxes	4,000	—	1,026	1,291	—	6,317
Net income (loss)	\$ 76,574	(91,744)	1,652	50,354	(256,892)	(220,056)
Identifiable assets	\$1,882,987	798,410	141,667	250,002	(250,000)	2,823,066

(b) Industry segments:

Business Information Display Inc. shown above as the United States geographic segment, carries on a publishing operation. All other operations of the Sydney Group involve computer software activities.

13. Comparative figures:

Certain of the figures for 1980, presented for comparative purposes, have been reclassified to conform with the presentation adopted for the current year.

14. Subsequent event:

Under an agreement dated May 18, 1981 the Company has agreed to establish a wholly-owned subsidiary in Texas, U.S.A. ("the subsidiary") which will purchase the business and assets of Medicomm Corporation of Texas, a company engaged in computer software activities. The consideration for this purchase will be \$30,000 and the issue of 30,000 shares of the Company at closing and up to an additional 70,000 shares if the subsidiary's earnings, as defined, exceed specified levels during the three years ended May 31, 1984. The contingent consideration of 70,000 shares will be held in escrow to be delivered if and when the required earnings levels are attained. Any shares not deliverable by May 31, 1984 will be returned to the Company.

Auditors' Report to the Shareholders

We have examined the consolidated and pro-forma consolidated balance sheets of Sydney Development Corporation as at March 31, 1981 and the consolidated and pro-forma consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion:

- The accompanying consolidated financial statements present fairly the financial position of the company as at March 31, 1981 and the results of its operations and the changes in its financial position for the year then ended;
- The accompanying pro-forma consolidated financial statements present fairly the financial position of the company as at March 31, 1981 and the results of its operations and the changes in its financial position for the year then ended after giving effect to the changes set forth in Note 2(b);

all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

